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SUBJECT: NEPAL: COST OF THE MAOIST INSURGENCY

REF: 04 KATHMANDU 002367

SUMMARY

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1. The effect of the ongoing Maoist insurgency is palpable in every sector of Nepal's economy. The estimated economic cost of the conflict, since 1996 when it started, is more than USD 2.3 billion. Insurgents have destroyed public and private property worth USD 71 million. The conflict has reduced the flow of foreign direct investment (FDI) to its lowest figure in 10 years. Recent Maoist bombings and forced closures of schools and industries have put the lives of thousands of workers and students in jeopardy. END SUMMARY.

COSTS OF THE MAOIST CONFLICT

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2. The estimated economic cost of the conflict is more than USD 2.3 billion. Although the Maoist insurgency started in 1996, it escalated and began to seriously affect the economy in 2001, when the Maoists embarked on a strategy of armed attacks against security forces and government infrastructure. Maoist insurgents have systematically destroyed power installations, telecommunications facilities, bridges, government buildings and facilities, banks, schools, health posts, and hospitals. The resulting loss of physical infrastructure and property exceeds USD 71 million.

3. According to media reports and various domestic and international agencies, more than 12,000 people have lost their lives as a result of the conflict. According to the UNDP, more than 200,000 families have been internally